ABSTRACT

A method for cost variance analysis for assessment of the effects of products / product groups, activities / activity-producing-departments, and resource acquisition, within an organization. The method utilizes the Broyles and Lay *p'RUm* cost variance model. By converting one or more variables of the Broyles and Lay model into a diagonal or grouped matrix, effects within departments can be apportioned, to identify problematic factors, as well as areas of opportunity. A related method of revenue and profit variance analysis. Revenues are calculated as (Selling Prices)x(Volume and mix of products). Revenue variances are the difference between actual and budgeted revenues, and can be attributed to the changes in selling prices and volume and mix of products. Profit is defined as revenue less cost. Profit variances depend on both revenue and cost variances.